
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: Assessing Officials and Vendors

FROM: Barry Wood, Assessment Division Director

RE: Updated Location Cost Modifiers for the 2015 Annual Adjustment

DATE: February 11, 2015

The Department of Local Government Finance ("Department") has previously disseminated information regarding the Location Cost Modifiers (LCMs) as part of the updated cost schedules. These modifiers are detailed on the final pages of Appendix C and Appendix G. A separate list of the modifiers for each county also accompanies this memo. As in prior years, the LCMs are the same for residential and commercial property.

The Department provides this information for counties to adjust their costs for local market conditions. Counties may develop their own LCMs through analysis of local building cost information. The Department must approve a county-developed LCM prior to its use. Counties are encouraged to develop their own LCM if possible to incorporate their knowledge of local conditions. Counties that developed their own LCM for the 2014 annual adjustment must submit an updated analysis based on current local costs to continue using this value for the 2015 annual adjustment.

The updated LCMs were calculated via the same process used in prior years. First, Area Modification Factors from the 2015 *Craftsman National Construction Estimator* were used to derive a base factor for each county. These base factors were then divided by the base factor for Marion County (Indianapolis 460 in the following table), so that the resultant LCM is the estimated change in building costs relative to building costs in Marion County. In 2015, the Marion County base factor is 1.07, compared to 1.06 in 2014. As a result, most LCMs decreased slightly.

Since the Area Modification Factors are stratified by zip code, counties containing multiple zip codes will have more than one factor. Like the prior updates, the LCM for these counties is the weighted average of the factors, with the weights based on the percent of land area allocated to each zip code in the county.

Since the LCM estimates local costs relative to Marion County, the updated LCM may differ from prior LCMs even if the cost of construction in the county has not changed.

Please remember that Indiana's assessment standard is market value-in-use, which means that final assessed values must be determined through analysis of the local market in each county. Therefore, no matter what cost approach value is initially calculated, it must be adjusted to the final assessed value by applying the factors that have been determined through market analysis. Hence, use of a Location Cost Multiplier may be unnecessary.

Questions or comments may be directed to Barry Wood, the Department's Assessment Division Director, at (317) 232-2762 or Bwood@dlgf.in.gov.

Area Modification Factors

<u>Area</u>	<u>Zip</u> <u>Prefix</u>	<u>Material</u>	<u>Labor</u>	<u>Equip</u>	<u>Average</u>
Aurora	470	-1	-8	0	-4%
Bloomington	474	1	-4	0	-1%
Columbus	472	0	-9	0	-4%
Elkhart	465	-2	-6	-1	-4%
Evansville	476	-2	12	-1	4%
Evansville	477				4%
Fort Wayne	467	-3	-4	-1	-3%
Fort Wayne	468				-3%
Gary	464	-4	47	-1	20%
Gary	463	-4	47	-1	20%
Indianapolis	460	-1	16	0	7%
Indianapolis	461				7%
Indianapolis	462				7%
Jasper	475	-1	-16	0	-8%
Jeffersonville	471	-1	-8	0	-4%
Kokomo	469	-2	-14	-1	-8%
Lafayette	479	-1	-11	0	-6%
Muncie	473	-4	-16	-1	-9%
South Bend	466	-4	-1	-1	-3%
Terre Haute	478	-4	-1	-1	-3%